



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held at 7pm on **Wednesday 14th November, 2018**, Room 3.6/3.7, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillors Ian Rowley (Chairman), Robert Rigby, Paul Swaddle and David Boothroyd

Also Present: David Hodgkinson (Assistant City Treasurer), Sue Howell (Complaint and Customer Manager), David Hughes (Shared Services Director of Audit, Risk, Fraud and Insurance), Moira Mackie (Senior Internal Audit Manager) Andy Hyatt (Tri-borough Head of Fraud), Andrew Tagg (Director of Operations and Programmes, Children Services), Chris Greenway (Bi-borough Director of Integrated Commissioning, Adult Social Care), Paul Dossett (Grant Thornton), Paul Jacklin (Grant Thornton) and Reuben Segal (Acting Head of Committee and Governance Services)

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no changes to the membership.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 18 September 2018 be agreed by the Chairman as a correct record of proceedings.

4 PROGRESS AND UPDATE ON 2018 - 2019 AUDIT

4.1 The Committee received a report from the Council's external auditors, Grant Thornton, which set out progress in delivering its responsibilities in relation to undertaking the audit of the Council's Financial Statements and the Pension Fund for the financial year 2018-19. The report included a sector update of emerging national issues and developments including the Adult Social Care sector, latest trends in local authority trading companies and PSAA report on the results of auditors' work 2017/18.

- 4.2 Paul Jacklin, Senior Manager, Grant Thornton, informed Members that as part of its audit work Grant Thornton would be reviewing the transfer of the legacy data in Agresso to the Integrated Business Centre (IBC) as part of the Council's move from BT Managed Services to the Hampshire County Council Partnership. An interim report on its findings would be reported to the Committee at its next meeting.

5 ANNUAL CORPORATE COMPLAINTS 2017 - 2018

- 5.1 The Committee considered a report on the Council's Annual Complaints Review for 2017-18. The report summarised the Council's complaints performance (Complaint stages 1 and 2), complaints received by the Local Government Ombudsmen (LGO) and a limited review of dealing with the Leader and Cabinet Member correspondence. The report contained, as an appendix, a copy of the Local Government Ombudsman Annual Letter/Review for the year ending 31 March 2018. Whilst the review covered most of the Council's services, Adults and Children's Social Care Services each have their own separate statutory complaints procedure and separate reports are produced for these. Copies of these were appended to the report for information.
- 5.2 Information used to compile the 2017/18 annual report had largely come from the complaints icasework management system, which has been in operation since June 2016.
- 5.3 The committee noted that the Review indicated that there was a 46% increase in the number of stage 1 complaints received. The increase in volume is attributed to service areas now fully engaging with the new complaints Casework system and the use of the Council's complaints web form which is linked to the icasework system and is not an indication of poor service.
- 5.4 The Committee asked whether all of the Council's departments were recording complaints through the icasework system and whether all complaints were being captured in it. Sue Howell, Customer and Complaints Manager, explained that some complainants still contact the Council via letter. While some of these might not be entered into the system she was confident that a significant majority of complaints were now being captured in one place. In response to further questions, Sue Howell explained that in addition to the web form members of the public can submit complaints in writing or by phone. The ability to submit complaints via email was removed as part of the Council's Digital Programme and the desire to increase the use of the web form. Members commented that many people find communicating by email much easier and asked officers to explore options for re-introducing an email facility for raising complaints.
- 5.5 The Committee noted that the number of complaints received by Directorate increased per quarter to year-end. Members asked whether there was a reason for this. Sue Howell informed the Committee that while some complaints are seasonal there was no correlation from one quarter to the next and volume levels had differed the previous year.

- 5.6 The annual report revealed that the highest volume of complaints come from two Directorates which are City Treasurers (Revenue and Benefits) with 48% of the total, and City Management and Communities (CMC) with 38%. In respect of the latter, there had been a % reduction in volume on the preceding year. In 2017/18 Revs and Bens represented 48% of all stage 1 complaints. In 2016/17 it was 62%. The increase in stage 1 complaints for City Management & Communities (CMC) is generally attributed to better reporting since the introduction of the icasework system as previously CMC complaints were captured on various systems some complaints may not have been reported at a corporate level so some under reporting was expected. The Committee noted that the Housing Benefits and Revenue divisions within the City Treasurer's Directorate had the best response times. Sue Howell explained that due to the volume of complaints it receives the division has a dedicated proactive team that is focused on responding to and resolving complaints. Members suggested that, where transferable, it should share some of its practices with other Council directorates.
- 5.7 The report outlined that there was a 22% reduction of stage 2 complaints when compared with 2016/17. This reduction came from Revenue and Benefits and in particular from Housing Benefit complaints. The service attributed this reduction to an improvement in the standard of stage 1 responses. There have been no significant service failures found at stage 2 of the complaints procedure and only 4% (4 of 113 complaints) were upheld at the final stage. This suggests that the service areas are generally putting things right at the first stage of the procedure.
- 5.8 The LGO made no specific comments about the Council's performance, and the Annual Complaints Review has reported that no formal public reports were issued against the Council.
- 5.9 The Committee noted in relation to the Adults Annual Complaints report that the volume of complaints had risen over the last 4 years and that quality of service was the most complained about issue in 2017-2018. The Committee further noted that 48% of complaints were either fully or partially upheld.

Actions:

1. The Committee has requested that future complaint reports cover all of the Council's services including the statutory complaints from Adults and Children's and Family Services and the Housing provision currently being delivered by CityWest Homes, once this has been bought back in-house, in order to obtain a complete picture of complaints received by the Authority. (**Action for: Sue Howell, Customer and Complaints Manager**)
2. The Committee asked for detailed information on Adult complaints that were either fully or partially upheld. (**Action for: Gary Hamilton Head of Operations, Adult Social Care**)

6 FINANCE PERIOD 6 MONITORING REPORT

- 6.1 The Committee considered the contents of the period 6 finance report which provided details of the forecast outturn in respect of revenue and capital and projected revenue and capital expenditure by Cabinet Member including key risks and opportunities. The report also included details in relation to the revenue and capital expenditure for the housing revenue account.
- 6.2 The Committee noted with concern that there was a forecast overspend of £1.398m against the annual revenue budget of £14.058m in the Economic Development, Education and Community Cabinet Member portfolio. Members were informed that a significant element related to pressures within the Education service as a result of funding pressures within SEN and SEN Transport. Andrew Tagg, Director of Operations and Programmes, Children's Services, explained that the duty in the Children and Families Act 2014 to extend transport from 19 to 25 years of age to and from the educational placement named in an EHC plan had presented a significant challenge when setting the SEN budget 2 years ago. SEN transport is funded from the Council's general fund. Mr Tagg advised that the Council, together with other London boroughs who are facing similar budgetary pressures are lobbying Government regarding the impact.
- 6.3 The Committee reiterated its ongoing concerns regarding the Capital Programme projected underspend by year end against the agreed budget (in both operational and development projects) This applied across Cabinet Member portfolios, and in a number of instances the underspend accounted for between 20-25% of the agreed budget. Dave Hodgkinson explained that a number of the operational as well as development projects included large schemes. These were delayed for a variety of reasons including planning issues or the need to undertake public consultation.
- 6.4 **ACTIONS:** Provide the Committee with a note on progress in leasing the ten lower floors of City Hall which will contribute to revenue savings through the generation of rental income (**Dave Hodgkinson, Assistant City Treasurer**).

7 INTERNAL AUDIT 2018-2019 PROGRESS REPORT (SEPTEMBER TO OCTOBER 2018)

- 7.1 The Committee considered the work carried out by the Council's Internal Audit service in the reporting period and noted that in the areas audited internal control systems were generally effective with 3 positive assurance reviews (substantial or satisfactory) being issued in the period. Five follow up reviews completed in the period confirmed that the implementation of recommendations had been effective with the majority (92%) of recommendations fully implemented at the time of the review.

- 7.2 The Committee noted the improvement in the internal controls system for the Corporate Services: HR: Off Payroll Working (IR35) which, when it last was audited in 2016-2017, had received a limited assurance opinion.

8 COUNTER FRAUD 2018-2019 HALF YEAR MONITORING REPORT

- 8.1 The Committee considered a report that provided an account of fraud related activity undertaken by the Tri-Borough Corporate Antifraud Service (CAFS) from 1 April 2016 to 30 September 2018.
- 8.2 The committee noted that since April 2018 CAFS has identified 106 positive outcomes against 100 over the same period in 2017/18. This included 33 tenancy and housing -related successes and the successful prosecution of 53 individuals for fraudulently misusing disabled parking badges. Anti -fraud activity with a notional value of approximately £320,000 had been identified.
- 8.3 Members asked about the significant increase in successful prosecutions of the misuse of disabled parking badges compared to the same period last year. Andy Hyatt, Tri-borough Head of Fraud, explained that a new officer joined the team in the last year and it had taken some time for him to become familiar with the hotspots where the fraudulent misuse of disabled parking badges was taking place. In response to questions, Mr Hyatt explained that these were in streets adjacent to Oxford Street where people wanted to take advantage of parking spaces close to retailers. He advised that those committing these offences were people visiting the West End without the badge holder being present and were not necessarily Westminster residents. He clarified that a blue badge holder can park in a legitimate space anywhere in Europe. Mr Hyatt was asked about intelligence gathering and sharing. He stated that the misuse of disabled parking badges was a road traffic offence. This is not recorded by the Police so will not be visible on the Police national database. The Council is reporting its data to London Councils for wider intelligence gathering.
- 8.4 Members informed officers of anecdotal housing related fraud that had been raised with them and reiterated their concerns that such fraud is probably under reported.
- 8.5 The Committee welcomed the training of officers in fraud prevention and their professional development.
- 8.6 The Committee asked whether the service, which is being delivered on a tri-borough basis, is likely to be disaggregated. David Hughes, Shared Services Director for Audit, Fraud, Risk and Insurance, advised that this is not likely to happen, particularly given the size and nature of the service.
- 8.7 **ACTION:** The Committee requested that the information on disabled parking badge fraud prosecutions is shared with Ward Councillors and that future reports include a breakdown of which streets are affected (**Action for: Andy Hyatt, Tri-borough Head of Fraud**).

9 COUNTER FRAUD POLICY REVIEW

- 9.1 As the responsible body for the effective scrutiny of the Council's antifraud arrangements and activities, the committee reviewed four revised anti-fraud policies: (i) Anti-bribery Policy; (ii) Anti-Money Laundering Policy; (iii) Fraud Response Plan and (iv) Whistleblowing Policy which had been amended to ensure that they are up to date and are fit for purpose.
- 9.2 With reference to Government concerns over money laundering in the UK property sector, and in particular within the London luxury development market the Committee asked whether there is a requirement for the Council to undertake due diligence regarding the source of funding for developments/flats as part of the planning process. David Hughes explained that it is the responsibility of an individual purchaser's solicitor to raise any concerns with the National Crime Agency. The Council is obliged to investigate where cash deposits are made by individuals or business into the Council's accounts.
- 9.3 Members noted that to assist in the prevention of money laundering the Council's policy is that no payment to the authority should be accepted in cash if it exceeds £10,000. The Committee asked how the threshold was determined. Mr Hughes explained that the Council has followed guidance provided by the National Crime Agency. My Hyatt stated that following the meeting he would contact services of the Council where there are higher risks of receiving larger sums of cash payments to provide advice on where officers can report any concerns or suspicious transactions to.
- 9.4 The Committee asked in relation to the Whistleblowing Policy whether all employees of the Council receive training on the policy. My Hyatt stated that an e-learning tool was available on the Council's intranet, however, he wanted training on this to be incorporated as part of the Council's induction process for new staff.

Actions: To obtain an understanding of the levels of cash transactions received by the authority and the potential for suspicious transactions the Committee would like a breakdown of cash payments over the last 12 months as follows:

- (i) £10,000
- (ii) £5,000 - £10,000
- (iii) £2,500 - £5,000

(Action for: Dave Hodgkinson, Assistant City Treasurer)

10 UPDATE ON BI-BOROUGH ARRANGEMENTS IN CHILDREN'S SERVICES, ADULT SOCIAL CARE AND PUBLIC HEALTH

- 10.1 The committee considered an update on progress in establishing a Bi-Borough agreement with the Royal Borough of Kensington and Chelsea for the delivery of Children's Services, Adult Social Care and Public Health. This follows the decision made by Cabinet in March 2017 to serve notice on

London Borough of Hammersmith and Fulham to disaggregate the Tri-Borough s113 agreements currently in place to deliver these services.

- 10.2 The report indicated that considerable effort had been spent mitigating the potential financial impact of the move to a Bi-Borough service, as well as ensuring that current service provision did not suffer as a result of the uncertainty being experienced by staff. Staff consultation on key changes was an important part of this approach, with extensive engagement with all staff affected by the changes and proposals developed from feedback received from staff.
- 10.3 The Committee was informed that smooth transition had taken place for services that went live on the 1st April and plans are in place to mitigate any risks associated with disaggregation in Adults that took effect from October 2018. Front line service delivery had not been impacted as a consequence of the disaggregation of services. Ofsted's focused visit inspection of the council's arrangements for children who need help and protection in the summer reflected continuity in the provision of high quality services found previously to be 'outstanding' in 2016.
- 10.4 Members asked whether there were any intentions to introduce major operational changes in the future to the new Bi-borough arrangements. Andrew Tagg, Director of Operations and Programmes, Children's Services, advised that there were not, however, the service would look for opportunities where it can share or trade services where relevant to benefit from economies of scale.
- 10.5 **RESOLVED:** Noted the progress in implementation and transition to the new Bi-borough structure in Adult Social Care, Children's Services and Public Health since the last update in November 2017.
- 10.6 **ACTION:** To assist Members with monitoring performance, the Committee would like future reports to include the key performance indicators and outturn under each divisional update. (**Action for: John O'Sullivan, Head of Business Intelligence and Strategy, Children's Services**).
- 11 UPDATE ON HAMPSHIRE COUNTY COUNCIL PARTNERSHIP AND BT MANAGED SERVICES EXIT**
- 11.1 The Committee considered an update report on the exit from the existing BT Managed Services contract and the transition to the Hampshire IBC Solution. This included information of the outcome of testing of the transition to the Hampshire IBC solution, particularly in respect of payroll, data migration, engaging with the wider corporate body raising awareness and communicating progress around the IBC programme and contingency planning and risk management.
- 11.2 Mr Hodgkinson explained that there are a number of issues in respect of the different ways in which SAP and Agresso calculate pay. This includes the way in which holiday pay for casual employees is calculated. Pension variances had been detected which would affect 139 employees due to issues around

staff banding. Childcare deduction vouchers which were not pensionable in Agresso would be in SAP. This will affect the pay of 80 members of staff. Mr Hodgkinson stated that the Council will be writing to all the affected staff to alert them to the differences.

- 11.3 He advised in respect of the most recent payroll comparison run that 100% of records had been matched or reconciled. The main risk related to the migration of data from Agresso to SAP at “go-live”.
- 11.4 Members asked about the feedback from staff that had attended SAP training courses. Mr Hodgkinson reported that the vast majority of attendees had found it to be user friendly and simple to use.
- 11.5 The Committee noted that the “Hyper-core” period, where intensive care is available after go-live, will run for 4 weeks. Members suggested that this period is extended into early January as the Council will not be running at full capacity towards the end of the month as many members of staff will have taken leave for the holidays. Mr Hodgkinson stated that the Council will have a good idea by the middle of December whether the system is stable or if there are problems. In the case of the latter, the Hyper-core period can be extended as long as is required.
- 11.6 The Committee noted with regards to Customer Invoicing that credit notes can only be raised for the whole amount of an invoice and not a partial amount. This also results in the need for a further invoice to be raised. Members were concerned that this could potentially introduce further delays to the receipt of payment where a new invoice needs to be raised and re-processed by the customer.

ACTIONS:

1. The Committee would like the next update to include a breakdown of performance against agreed targets.
2. The Committee would like details at the end of Q1 of the volume and sum of new invoices raised and re-produced due to the raising of queries and requests for a partial credit note.

(Action for: David Hodgkinson, Assistant City Treasurer)

12 WORK PROGRAMME AND ACTION TRACKER

12.1 RESOLVED:

1. That the work programme including the items for the next meeting on 5 February be noted.
2. That the responses to actions from the last meeting be noted.

- 12.2 **ACTIONS:** The Committee would like to review the draft key performance indicators for the Council’s housing service that is being bought back in-house

to consider whether the targets are appropriate. **(Action for Barbara Brownlee, Executive Director, Growth, Planning and Housing)**

The Meeting ended at 8.20 pm

CHAIRMAN: _____

DATE _____